

**Decatur-Hamilton Quick Response Unit
Van Buren County**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

Table of Contents

<u>Section</u>		<u>Page</u>
1	List of Elected and Appointed Officials	1 – 1
2	Independent Auditors' Report	2 – 1
3	Management's Discussion and Analysis	3 – 1
4	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Assets	4 – 1
	Statement of Activities	4 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 3
	Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
	Notes to Financial Statements	4 – 7
5	Required Supplemental Information	
	Budgetary Comparison Schedule	
	General Fund	5 – 1

Decatur-Hamilton Quick Response Unit
List of Elected and Appointed Officials
June 30, 2008

Board Members

Carl Druskovich	Chairman
Terry Newell	Vice Chairman
Martin Super	Secretary
James Creagan	Treasurer
Carl Wickett	Member
Daniel McKeeby	Member
Joe Parish	Member



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Independent Auditors' Report

Members of the Board
Decatur-Hamilton Quick Response Unit

We have audited the accompanying financial statements of the governmental activities, and general fund, of the Decatur-Hamilton Quick Response Unit as of and for the year ended June 30, 2008, which collectively comprise the Unit's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Unit's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and general fund of Decatur-Hamilton Quick Response Unit as of June 30, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

December 1, 2008
Kalamazoo, Michigan

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

The management of the Decatur-Hamilton Quick Response Unit (the Unit) provides a narrative overview of the Unit's financial activities for the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Unit's financial statements.

FINANCIAL HIGHLIGHTS

- The Unit's total net assets increased by \$19,778 as a result of this year's activities.
- Of the \$211,697 total net assets reported, \$145,315 is unrestricted, or available to be used at the Unit's discretion.
- The General Fund's fund balance at the end of the fiscal year was \$145,315.

Overview of the financial statements

The Unit's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Unit:

- The statement of net assets and the statement of activities are government-wide financial statements that provide both long-term and short-term information about the Unit's overall financial status.
- The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance are fund financial statements that tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Unit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

The two government-wide statements report the Unit's net assets and how they have changed. Net assets (the difference between the Unit's assets and liabilities) is one way to measure the Unit's financial health or position.

- Over time, increases or decreases in the Unit's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Unit, consideration must be given to additional non-financial factors such as changes in the Unit's intergovernmental support and the condition of the Unit's capital assets.

The government-wide financial statements are shown in a single category, since the Unit provides one basic governmental service – emergency response.

Fund financial statements

The fund financial statements provide more detailed information about the Unit's sole fund – not the Unit as a whole. Funds are accounting devices that the Unit uses to keep track of specific sources of funding and spending for particular purposes.

The Unit has one fund, which focuses on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at yearend that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Unit's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship between them.

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets – Total net assets at the end of the fiscal year were \$211,697, an increase of 9.3 percent compared to the prior year. Of this total, \$66,382 is invested in capital assets. Consequently, unrestricted net assets were \$145,315, or 68 percent of the total.

Condensed financial information
Net Assets

	June 30,	
	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 145,315	\$ 106,969
Capital assets	<u>66,382</u>	<u>87,907</u>
Total assets	<u>211,697</u>	<u>194,876</u>
 Current liabilities	 <u>-</u>	 <u>2,957</u>
Total liabilities	<u>-</u>	<u>2,957</u>
 Net assets		
Invested in capital assets; net of related debt	66,382	87,907
Unrestricted	<u>145,315</u>	<u>104,012</u>
 Total net assets	 \$ <u><u>211,697</u></u>	 \$ <u><u>191,919</u></u>

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

Changes in net assets – The Unit's total revenues are \$71,725. Over 80 percent of the Unit's revenues come from intergovernmental support.

Condensed financial information
Changes in Net Assets

	June 30, <u>2008</u>	<u>2007</u>
Program revenues		
Intergovernmental support	\$ 58,049	\$ 55,052
Other	<u>13,676</u>	<u>4,829</u>
Total program revenues	<u>71,725</u>	<u>59,881</u>
Expenses		
Health and welfare - ambulance operations	<u>51,947</u>	<u>52,845</u>
Total expenses	<u>51,947</u>	<u>52,845</u>
Increase in net assets	\$ <u><u>19,778</u></u>	\$ <u><u>7,036</u></u>

Governmental activities

Governmental activities increased the Unit's net assets by \$19,778. Key factors for this increase are as follows:

- Intergovernmental support continues to outstrip operating costs. There has not been a significant increase in demand for services, and operating costs have been stable.

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

FINANCIAL ANALYSIS OF THE UNIT'S FUND

Governmental fund

As of the end of the current fiscal year, the Unit's sole governmental fund reported a fund balance of \$145,315, an increase of \$41,303, in comparison with the prior year.

The entire fund balance at yearend is available for spending at the Unit's discretion.

General fund budgetary highlights

The budget was amended during 2008. Actual revenues were approximately \$19,000 higher than their budgeted amounts and actual expenditures were approximately \$25,800 less than their budgeted amounts.

The General Fund is the chief operating fund of the Unit. At the end of the fiscal year, unreserved fund balance was \$145,315, which represents 477 percent of the actual total General Fund expenditures for the current fiscal year.

Capital assets and debt administration

Capital assets - The Unit's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$66,382 (net of accumulated depreciation). This investment includes various assets including vehicles, emergency response equipment, and building. The decrease in the Unit's net investment in capital assets for the current fiscal year was \$21,525.

Capital asset events during the current fiscal year included the acquisition of a portable co-oximeter and mobile bottle cart.

More detailed information about the Unit's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt administration – At the end of the fiscal year the Unit had no outstanding notes.

Decatur-Hamilton Quick Response Unit
Management's Discussion and Analysis
June 30, 2008

Economic condition and outlook

The Unit's Operating Fund budget for the next year projects no increase in spending. A stagnant economy and no substantial revenue increase require that the Unit maintain conservative expenditure trends.

Contacting the Department's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Unit's finances and to demonstrate the Unit's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Jim Creagan, Treasurer
Decatur-Hamilton Quick Response Unit
124 Phelps Street
P.O. Box 5
Decatur, MI 49045

Telephone: 269.423.7014

Decatur-Hamilton Quick Response Unit
Statement of Net Assets
June 30, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash	\$ 71,070
Certificate of Deposit	70,000
Taxes receivable	2,310
Prepaid Insurance	1,935
Capital assets not being depreciated	2,500
Capital assets - net of accumulated depreciation	<u>63,882</u>
 Total assets	 <u>211,697</u>
 Net assets	
Invested in capital assets, net of related debt	66,382
Unrestricted	<u>145,315</u>
 Total net assets	 <u>\$ 211,697</u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Quick Response Unit
Statement of Activities
For the Year Ended June 30, 2008

			Net (Expense) Revenue and Changes in Net Assets
			Governmental Activities
Functions/Programs	Expenses		
Governmental activities			
Health and welfare - ambulance operations	\$ 51,947	\$	(51,947)
General revenues			
Intergovernmental support			58,049
Unrestricted investment earnings			3,467
Miscellaneous			10,209
Total general revenues			71,725
Change in net assets			19,778
Net assets - beginning of year			191,919
Net assets - end of year		\$	211,697

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Quick Response Unit
Governmental Funds
Balance Sheet
June 30, 2008

	<u>General</u>
Assets	
Cash	\$ 71,070
Certificate of Deposit	70,000
Taxes Receivable	2,310
Prepaid Insurance	<u>1,935</u>
 Total assets	 <u>\$ 145,315</u>
 Fund Balance	
 Total fund balance	 <u>\$ 145,315</u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Quick Response Unit
Governmental Funds
Reconciliation Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2008

Total fund balances for governmental funds	\$ 145,315
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

66,382

Net assets of governmental activities	<u>\$ 211,697</u>
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Decatur-Hamilton Quick Response Unit
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>General</u>
Revenues	
Intergovernmental support	
Decatur Township	\$ 35,640
Hamilton Township	22,409
Total intergovernmental support	<u>58,049</u>
Other	<u>13,676</u>
Total revenues	<u>71,725</u>
Expenditures	
Health and welfare - ambulance operations	25,661
Capital outlay	<u>4,761</u>
Total expenditures	<u>30,422</u>
Net change in fund balance	41,303
Fund balance - beginning of year	<u>104,012</u>
Fund balance - end of year	<u><u>\$ 145,315</u></u>

Decatur-Hamilton Quick Response Unit
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ 41,303
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(26,286)
Capital outlay	<u>4,761</u>

Change in net assets of governmental activities	<u>\$ 19,778</u>
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Decatur-Hamilton Quick Response Unit
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Decatur-Hamilton Quick Response Unit (the Unit) conform to United States generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

Reporting entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Unit has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Unit's financial statements. Also, the Unit is not a component unit of any other entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Unit. Currently, all activities of the Unit are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

segment. Intergovernmental support and other items not properly included among program revenues are reported instead as *general revenues*.

Financial statements are provided for the sole governmental fund as separate columns in the basic financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources, measurement focus*, and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources, measurement focus*, and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Decatur-Hamilton Quick Response Unit
Notes to Financial Statements
June 30, 2008

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Unit reports a single major governmental fund, the General Fund, which accounts for all financial resources of the Unit.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

Assets, liabilities, and net assets or equity

Capital Assets – capital assets, which consist of vehicles, emergency response equipment and building, are reported in the government-wide financial statements. Capital assets are defined by the Unit as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 to 20 years
Emergency response equipment	5 to 15 years

Fund Equity – In the fund financial statements, the General Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, Accountability

Budgetary information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Decatur-Hamilton Quick Response Unit
Notes to Financial Statements
June 30, 2008

Note 3 - Deposits

At yearend the Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash</u>
Governmental activities	\$ 141,070

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 141,070
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Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The Unit has no policy that would limit the amount that may be issued in any one issuer.

Custodial risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the Unit's deposits may not be returned to it. The Unit does not have a policy for custodial credit risk. As of yearend, the account balances were \$143,248, leaving \$43,248 exposed to custodial credit risk because it was uninsured and uncollateralized.

Decatur-Hamilton Quick Response Unit
Notes to Financial Statements
June 30, 2008

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets being depreciated:				
Building	\$ 22,500	\$ -	\$ -	\$ 22,500
Vehicles	95,668	-	-	95,668
Emergency response equipment	<u>76,124</u>	<u>4,761</u>	<u>-</u>	<u>80,885</u>
Total capital assets being depreciated	<u>194,292</u>	<u>4,761</u>	<u>-</u>	<u>199,053</u>
Less accumulated depreciation for:				
Building	5,953	563	-	6,516
Vehicles	66,974	19,126	-	86,100
Emergency response equipment	<u>35,958</u>	<u>6,597</u>	<u>-</u>	<u>42,555</u>
Total accumulated depreciation	<u>108,885</u>	<u>26,286</u>	<u>-</u>	<u>135,171</u>
Capital assets being depreciated, net	85,407	(21,525)	-	63,882
Capital assets not being depreciated - land	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Net capital assets	<u>\$ 87,907</u>	<u>\$ (21,525)</u>	<u>\$ -</u>	<u>\$ 66,382</u>

Risk Management

The Unit is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Decatur-Hamilton Quick Response Unit
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Intergovernmental support				
Decatur Township	\$ 23,436	\$ 28,402	\$ 35,640	\$ 7,238
Hamilton Township	27,976	20,791	22,409	1,618
Total intergovernmental support	51,412	49,193	58,049	8,856
Interest income	320	200	3,467	3,267
Other revenue	3,936	3,300	10,209	6,909
Total revenues	55,668	52,693	71,725	19,032
Expenditures				
Health and welfare - ambulance operations				
Materials and services	10,000	12,101	11,268	(833)
Utilities	3,656	5,000	3,676	(1,324)
Insurance	4,359	5,399	3,464	(1,935)
Salaries	3,708	3,600	3,600	-
Audit	2,484	2,500	2,070	(430)
Repairs and maintenance				
Building	6,000	5,000	-	(5,000)
Vehicle	198	600	556	(44)
Fuel	1,000	1,100	1,027	(73)
Total health and welfare	31,405	35,300	25,661	(9,639)
Capital outlay	3,127	20,900	4,761	(16,139)
Total expenditures	34,532	56,200	30,422	(25,778)

Decatur-Hamilton Quick Response Unit
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Change in fund balance	\$ 21,136	\$ (3,507)	\$ 41,303	\$ 44,810
Fund balance - beginning of year	<u>104,012</u>	<u>104,012</u>	<u>104,012</u>	<u>-</u>
Fund balance - end of year	<u>\$ 125,148</u>	<u>\$ 100,505</u>	<u>\$ 145,315</u>	<u>\$ 44,810</u>



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December 1, 2008

To the Management and
Board of Directors of
Decatur-Hamilton Quick Response Unit

We have completed our audit of the financial statements of Decatur-Hamilton Quick Response Unit as of and for the year ended June 30, 2008 and have issued our report dated December 1, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

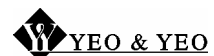
- I Communication of Internal Control Matters Identified During the Audit
- II Auditors' Communication of Significant Matters with Those Charged with Governance
- III Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Yeo & Yeo, P.C.
Kalamazoo, Michigan



Appendix I

Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Decatur-Hamilton Quick Response Unit as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Decatur-Hamilton Quick Response Unit internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be a significant deficiencies in internal control:

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Organization's financial statements. However, if at any point in the audit we as auditors are part of the Organization's control system for producing reliable financial statements, auditing standards indicate that the Organization has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Organization. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Organization completely document and disseminate all internal control policies and procedures in one document. This ensures that

all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

Segregation of Duties

We are sensitive to the fact that the Organization is a small organization; however we are required to tell you under auditing standards that the Organization has a control deficiency related to the segregation of duties. Even within very small organizations there is the ability to gain some amount of segregation of duties. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the Organization. These procedures will help prevent human errors as well as being a deterrent to fraud. We recommend that the disbursement cycle be segregated to ensure the person writing the checks and reconciling the bank statement is not the person signing the checks. We recommend that the receipts cycle be segregated to ensure the person recording the deposits, recording pledges, and reconciling the bank statement is not the person making the deposits. We further recommend a person who has not reconciled the bank account review the bank reconciliation. If you would like further information on how to segregate duties as they specifically relate to the Organization's situation, we would be happy to provide you with additional information and consultation.

Review of Account Balances

We recommend the Organization annually perform a detailed review of all accounts. During the current audit we recorded journal entries to adjust accounts to actual at year end. The Organization should be reviewing all accounts and making the necessary year end adjustments so the account balances reflect supporting documents. We had to make adjustments to correct the following issues: reverse prior year entries, record accounts payable, adjust ending prepaid insurance balance, and record accounts receivable. These should be recorded and corrected by management throughout the year or during the annual detailed review.

QuickBooks Accounting Software

We noted that the Organization uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Organization's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it is in effect deleting the check as of the

date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years. There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore QuickBooks cannot be relied upon to enforce segregation of duties.

We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Organization's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. The accounting software which is appropriate for a start-up entity may not continue to be appropriate for that same entity as it grows. We are neither recommending for nor against continuing to use QuickBooks as the Organization's accounting software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

Appendix II

Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on September 26, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the course of the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix III Management Comments

In planning and performing our audit of the financial statements of Decatur-Hamilton Quick Response Unit as of and for the year ended June 30, 2008, we considered Decatur-Hamilton Quick Response Unit internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date December 1, 2008, on the financial statements of Decatur-Hamilton Quick Response Unit. Our comments and recommendations regarding those matters are:

Current Year Recommendation:

Bank Reconciliation Preparation

We noted the Board Treasurer is responsible for all daily activity and also prepares the bank reconciliations. Since the Treasurer is initiating all activity for the entity he should not also be performing the bank reconciliations. Having one person perform both activities creates a problem with segregation of duties, since the individual can report the activity and then clear it on the bank reconciliation.

Recommendation: We recommend the Organization have a different person perform the monthly bank reconciliation.